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INTELLIGENCE BRIEF

RUMANIA LOWERS GOAL FOR SYNTHETIC RUBBER
AFTER FAILING TO GET US PLANT

DIRECTORATE OF INTELLIGENCE
Office of Research and Reports

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W A R N I N G

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RUMANIA LOWERS GOAL FOR SYNTHETIC RUBBER
AFTER FAILING TO GET US PLANT

Rumania has cut back its 1970 plan for the production of synthetic rubber because of failure to obtain a plant from the United States. Under the new Five Year Plan (1966-70) the goal for the production of synthetic rubber in 1970 has been reduced to 60,000 tons from earlier proposals for more than 100,000 tons. Although the Rumanians are still interested in buying a synthetic rubber complex, they apparently have concluded that the delay in acquiring new facilities will prevent the output of synthetic rubber in 1970 from rising much beyond the rated capacity of the existing plant. The reduction in the goal for the domestic production of synthetic rubber in 1970 may have forced the Rumanians to scale down goals for production of rubber goods, notably tires.

1. Rumania's Output of Synthetic Rubber

In 1964, Rumania produced about 19,400 tons of synthetic rubber, of which 6,600 tons was exported. The remainder -- almost 13,000 tons -- comprised about one-third of the total rubber consumed for the manufacture of tires and other rubber products. Imports, chiefly of natural rubber, were needed to meet residual requirements. Rumania's sole producing facility -- a plant at Gheorghe Gheorghiu-Dej -- has operated at well below its rated annual capacity of 50,000 tons since it began production in 1963. Moreover, the type of synthetic rubber produced, styrene-butadiene, is inferior to natural rubber for such uses as heavy-duty truck and aircraft tires.

As early as in 1960, Rumania was considering expansion of the volume of production and the assortment of synthetic rubbers, not only to eliminate dependence on imports but also to provide a significant surplus for export. In 1963, Rumania first announced its intention of purchasing a complex from the United States to produce polyisoprene and polybutadiene, two new stereoregular rubbers.* Although the USSR produces limited quantities of the new types of rubber, Rumania apparently preferred to seek the required technology and equipment in the Free World. Poland and Czechoslovakia as well as the USSR also have expressed interest in purchasing such plants.

* The term stereoregular rubber applies to polymers, developed recently, in which the molecular structure and properties closely resemble those of natural rubber.

2. Efforts to Buy A Synthetic Rubber Complex in the United States

In 1964, Rumania submitted to the United States a list of proposed purchases of modern industrial plants, headed by a complex capable of producing 60,000 tons of polybutadiene and polyisoprene annually. With the additional capacity, Rumania reportedly would be able to meet domestic requirements fully and have an exportable surplus. Following negotiations with several US firms, the Rumanians initialed a \$50 million contract in December 1964 with the Firestone Tire and Rubber Company for purchase of the rubber complex. In April 1965, Firestone abruptly withdrew its offer, citing fears of commercial losses in the US market stemming from adverse publicity by a major competitor and by groups opposed to trade with Communist countries. This failure to obtain the vitally needed complex came at a time when Rumania's new Five Year Plan (1966-70) was in the final stages of preparation.

3. Adjustment to a Smaller Supply of Rubber

With no immediate prospect of producing stereoregular rubber, Rumanian planners have reduced the goal for the production of synthetic rubber in 1970 to 60,000 tons, compared with the level of more than 100,000 tons proposed earlier. The new goal is only slightly higher than the rated capacity of the existing plant. Moreover, the 70-percent increase planned for the output of synthetic rubber during 1966-70 is significantly below the increase of 130 percent planned for the output of chemicals as a whole. Inasmuch as most of the rubber produced in 1970 will be butadiene-styrene, Rumania will still require imports of natural rubber. The extent of such imports cannot presently be determined, because information is lacking on Rumania's trade plans. Details of Rumania's supply position in 1963-64 and available data on plans for 1965 and 1970 are shown in the table.

The reduced goal for the production of synthetic rubber in 1970 probably has affected Rumanian goals for rubber products, particularly tires. According to the new plan, the output of tires, scheduled at 1.3 million in 1965, will increase less than 50 percent during 1966-70, compared with the increase of 290 percent in 1960-64. It now seems unlikely that Rumania will proceed with earlier efforts to acquire another tire plant but will rely instead on expanding its two existing plants.

Rumania's Estimated Rubber Supply
 1963-64 and Plans for 1965 and 1970

	Metric Tons			
	<u>1963</u>	<u>1964</u>	<u>1965 Plan</u>	<u>1970 Plan</u>
Production	<u>5,906</u>	<u>19,373</u>	<u>35,000</u>	<u>60,000</u>
Imports	<u>36,000</u>	<u>27,700</u>	N.A.	N.A.
Synthetic	16,800	5,400	N.A.	N.A.
Natural	19,200	22,300	N.A.	N.A.
Total supply	<u>41,906</u>	<u>47,073</u>	N.A.	N.A.
Exports (synthetic)	1,100	6,591	N.A.	N.A.
Consumption (apparent)	40,806	40,482	45,000	65,000

4. Prospects

In spite of the recent experience with Firestone, Rumania is still committed to the further expansion and improvement of its rubber industry. The complex for producing stereoregular rubber remains high on Rumania's list of priority projects and efforts presumably will be renewed to find a supplier. Rumania's prospects for obtaining such a plant from the United States may improve as a result of a recent White House statement that such transactions are in the national interest. Although the United States probably is in the best position to provide Rumania with the type of plant desired, other potential suppliers also exist in Western Europe. The delay already encountered suggests, however, that even if a new contract is successfully negotiated, Rumanian production of synthetic rubber in 1970 will not reach the level hoped for earlier.

Analyst:

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Coord:

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24 August 1965

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The dissemination requested by
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